

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 342

March 29, 2015

SUMMARY OF BILL: Requires local education agencies (LEAs) to close virtual schools that have a Tennessee Value-Added Assessment (TVAAS) score of “significantly below expectations” for three consecutive fiscal years. Extends the repeal date of the Virtual Schools Act from June 30, 2015, to June 30, 2019.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Under current law, if this act expires in 2015, there will be various shifts in state and local Basic Education Program (BEP) funding between local education agencies, as well as funding shifts from a virtual school to a regular brick-and-mortar school within the same LEA; possible savings to state and local government if some overhead expenditures of the virtual schools are not replicated when students return to traditional schools or some of the students at the virtual schools revert to home school; and Union County’s required BEP maintenance of effort would decline. Under the provisions of the bill, these impacts will be delayed by four years.

To the extent a virtual school closes, there will be a shift in BEP funding from one LEA to another or from a virtual school to a regular brick and mortar classroom. There may also be a decrease in an LEA’s required maintenance of effort or a decrease in other local expenditures relative to virtual schools. Such changes in state and local expenditures are dependent upon multiple unknown factors and cannot be reasonably quantified.

Assumptions:

- If a virtual school does not close as a result of this bill, there will be no change in state and local BEP funding. All BEP funding will continue to be received by the same entities that receive such funding under current law.
- Under current law, the Union County school system would be the only local education agency that would have a substantial decrease in enrollment as a result of the Tennessee Virtual Academy closing. Extending authorization for the Virtual Academy by an additional four years will result in Union County continuing to provide their required maintenance of effort for four additional years for any students attending the Virtual Academy.
- Virtual schools operate as separate schools and receive their own TVAAS scores.

- If a virtual school closes, the impact on state and local BEP funding will be determined by the enrollment of the virtual school at the time of enrollment; which LEA a closing virtual school is located; where students within such schools will attend school once the virtual school closes; the fiscal capacity of the LEA where the closing virtual school is located; and the fiscal year in which any closing occurs.
- If a virtual school closes, there may be a savings to local governments relative to virtual schools if students transfer from a virtual school to a brick and mortar school within the same LEA.
- Any reduction in an LEA's required maintenance of effort will be dependent upon how enrollment within the LEA is impacted as result of the closing virtual academy.
- Since a majority of LEAs are funding above and beyond their BEP required local match, any transfer of students from a closing virtual school to a different LEA is not estimated to increase the receiving LEA's BEP maintenance of effort, thereby necessitating an increase in local expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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